



UNITED STATES SENATE
**REPUBLICAN
POLICY COMMITTEE**

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CBO Made to Answer the Wrong Question

Democrat-Requested CBO Report on Missile Defense Costs: Misleading

A year ago February, three Senate Democrats — then-Minority Leader Thomas Daschle, then-Ranking Budget Committee member Kent Conrad, and then-Ranking Armed Services Committee member Carl Levin — asked the Congressional Budget Office (CBO) to estimate how much it would cost the United States to deploy different types of missile defense systems. Yet, their request was so flawed — asking for costs of a system we're not going to build, in a way we're not going to build it — that the CBO report released in late January of this year contributes little to an honest discussion of missile defenses.

The Democrats' Flawed Request

The Senators stacked the deck by asking the CBO to cost out: a ground-based system from a previous administration; systems where technical capabilities were expanded beyond current plans; each different basing mode as a stand-alone system; and a system that was cancelled in 1993.

RPC does not have access to the specific details of the Senators' request to the CBO, but we know of the flaws in their request by examining the January 31, 2002 transmittal letter from CBO Director Dan Crippen to Senator Daschle. He writes, "In response to your request, the CBO has estimated the potential costs of several different types of national missile defense systems and components:

- "the two-site ground-based midcourse system planned by the Clinton Administration;
- "a third ground-based site in addition to the two planned in that program;
- "an additional ground-based X-band (very high resolution) radar;
- "a stand-alone sea-based midcourse system;

- “a ship-based X-band radar; and
- “a constellation of space-based lasers.”

Pricing the Previous Administration’s Model . . .

As pointed out by the CBO, the first type of system requested for review was one planned by the Clinton Administration. The Clinton system was intentionally designed to conform to the 1972 ABM Treaty — whose very purpose was to hobble missile defenses — which is clearly a very different approach than the one advanced by the Bush Administration. Rather, President Bush has directed the Ballistic Missile Defense Organization (now the Missile Defense Agency) to redesign its missile defense plans without regard to the constraints imposed by the ABM Treaty, and to explore the most promising and cost-effective approaches to missile defenses.

Applying a cost estimate of the abandoned Clinton plan to the very different plan being pursued by the Bush Administration is misleading, if not downright disingenuous.

. . . And Requesting Additional Elements

Not content to seek estimates of an obsolete architecture, the requestors even added new elements to the original Clinton plan, and directed the CBO to add their costs to the total for each system. For example, the Clinton Administration planned for a single ground-based missile defense site, with the possibility of a second site, while making only minor modifications to the ABM treaty. But the report’s requestors directed the CBO to add the costs of a *third* site to its estimate, despite the fact that the Clinton Administration had no such plan nor, for that matter, does the Bush Administration.

Moreover, the request did not take into account the Bush Administration’s fundamentally different approach to the development of missile defenses. President Bush’s plans call for developing a single, layered system of missile defenses which seamlessly integrates diverse elements and basing modes. The Bush approach is a dramatic and deliberate departure from the Clinton Administration’s “stovepipe” approach, which was to create stand-alone missile defense systems tailored to specific threats and minimally integrated. The Bush approach promises not only greater effectiveness but also greater efficiency by eliminating duplicative costs for both technology development and deployment. Yet the CBO was specifically directed to estimate the cost of each missile defense architecture as a “stand-alone” system.

Democrats and Media Reports Mislead

Once the CBO report was released, the three requesting Senators issued their own summary, claiming that it “shows that developing, deploying, and maintaining a modest layered system that includes ground-, sea- and space-based elements could easily cost well over \$150 billion” [press release, dated 1/31/02, posted by the Office of Senator Levin]. Yet, that cost figure — which was not supplied by the CBO report — is a misrepresentation for a number of reasons.

The CBO itself warned, “While a combined ground- and sea-based system could be built, summing CBO’s individual estimates of the ground- and sea-based systems would not provide accurate costs for such a system because the analysis considers each of those systems in isolation, but some components are common to both systems. In particular, if ground- and sea-based systems were combined, they would probably draw on common research and development and share some components — such as the ground-based sensors and the kill vehicle — resulting in costs that might be somewhat less than if the costs for two stand-alone systems were added together” [CBO transmittal letter to Sen. Daschle, p. 3].

Although the CBO states explicitly that the cost estimates “should not be added together to yield an estimate of the total potential costs of national missile defense,” the requestors must have done just that to arrive at the \$150 billion figure they provided in their January 31 summary. They failed to specify how they arrived at this figure, which is nowhere to be found in the CBO document. Yet this summary seems to have set the stage for additional misreporting. On February 1, *The New York Times* ran a headline announcing, “Plan to Stop Missile Threat Could Cost \$238 Billion.” Again, arriving at such a figure requires adding together the costs of each stand-alone system, thereby completely disregarding the CBO’s clear warning against such calculations.

Some in the media have also ignored the CBO’s warning that cost figures in its new report “are not directly comparable to those provided by the CBO in its April 2000” study of the Clinton Administration’s missile defense plan [CBO letter, p. 2]. This warning was ignored by the *Associated Press*, for example, which claimed that the new estimates “are 13 percent to 26 percent higher than an April 2000 CBO cost estimate” [2/1/02].

CBO Addresses Some But Not All of the Flaws

The CBO did decline to provide some of the estimates requested, including an estimate of sea-based boost phase defenses. The CBO stated correctly that such a capability was “currently in the very early stages of conceptual development” and thus could not be estimated [CBO letter, p. 2]. Similarly, the CBO took issue with the direction to provide an updated estimate of the “Brilliant Pebbles” program on the grounds that the technical specifications were 10 years old, and that the program was cancelled in 1993.

While the CBO was right not to cost out certain systems because the data is nonexistent or old, its cost estimators missed an opportunity to apply these criteria to the full request. The CBO could have buttressed its own credibility by dismissing the request altogether, or at least postponing a cost analysis until details of the Bush Administration missile defense program are available. Unfortunately, by conducting a cost estimate based not only on flawed assumptions but on program elements for which there is as yet no detailed deployment plan, the CBO appears to have contributed to the misrepresentation.

Refighting A Battle Already Lost

This misleading CBO report on missile defenses seems to be an attempt by some to restart a fight missile defense opponents already have lost. With the passage of the Missile Defense Act of 1999 by a vote of 97-3 (the three requestors of the CBO report were among the 97), Congress made clear its support for defending U.S. citizens against ballistic missiles. Under President Bush, the United States has a commander-in-chief who will execute that policy faithfully, and his redirection of the missile defense program and his intention to withdraw from the ABM treaty are evidence that missile defenses will be an essential element of our national security.

A Little Perspective

The nearly year-long effort the CBO was asked to put into this exercise could have been better spent in a different endeavor, such as estimating the devastating costs of a successful missile attack on the United States. The costs of the September 11 attacks will run into the tens of billions of dollars just to clear and replace the handful of buildings destroyed in New York; scores of billions more are going to security requirements generated by the attacks. Total costs to the U.S. economy are likely to run into the hundreds of billions. Of course, the human costs are incalculable. Yet even this staggering price would be infinitesimal compared to the consequences of a successful attack on an American city by a single ballistic missile equipped with a nuclear warhead.

The missile defense program dedicated to defending the United States as proposed by President Bush accounts for a mere 1 percent of the FY 2003 defense request, and is likely to stay in the same range for the next several years, according to Senator Jon Kyl, senior member of the Select Committee on Intelligence. Given the potential costs of not having such a system, most Americans likely would consider that a bargain.

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